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UNCLAS SECTION 01 OF 02 LAGOS 000169

SIPDIS

COMMERCE FOR KBURRESS  
ENERGY FOR PERSON, CHAYLOCK  
TREASURY FOR DPETERS, RHALL, RABDULRAZAK  
STATE PASS USTR FOR LISER, AGAMA  
STATE PASS TRANSPORTATION FOR KSAMPLE  
STATE PASS OPIC FOR ZHAN, MSTUCKART, JEDWARDS  
STATE PASS TDA FOR EEBONG, DSHUSTER  
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SUBJECT: NIGERIA: HERNANDO DE SOTO TELLS LAGOS GOVERNOR HOW TO MAKE LAGOS WORK FOR THE POOR

¶1. (U) Summary: Delegates to the 22-25 April Lagos State Economic summit discussed the challenges facing Lagos city as it attempts to transform itself from a congested urban environment to a modern mega city. Renowned economist Hernando De Soto said a property titling system can create access to credit for the state's poor and bring them into the formal sector. The focus must be on practical means to transform the State into a livable, workable place for Nigeria's poor. A former Singaporean development official described the constellation city model used in Singapore as the appropriate model for the new Lagos mega city. The U.S. Chief of Mission to Nigeria attended the State Summit dinner and Closing Ceremony. End summary.

Lagos: Toward A Model Mega City  
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¶2. (U) The Fourth Lagos State Economic Summit "Transforming Lagos into Africa's Model Mega City" was held from April 22 - 25. It focused on seven thematic areas the Lagos State Government (LSG) considered pivotal to transforming Lagos into a model mega city. They are power; environment, water, and sanitation; housing and physical planning; transportation; public order and security; human capital development; and finance. Governor Babatunde Fashola, Former Governor Bola Tinubu, Economic Adviser to the President Tanimu Yakubu, and other top state government officials attended. The U.S. Chief of Mission to Nigeria attended the State Summit dinner and the Closing Ceremony. The summit drew extensive participation from the public and private sectors, foreign investors, and international financial institutions. Inaugurated under former Governor Tinubu eight years ago, Lagos State hopes to make this an annual event.

Prior Summit Reap Results  
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¶3. (U) Ben Akabueze, Commissioner for Budget and Economic Planning and Chairman of Summit Organizing Committee highlighted the state government's progress in implementing previous summit recommendations. He listed the introduction of the Land Use charge to consolidate existing land-related fees paid annually by landowners, computerization of the land registry, and passage of laws to establish State microfinance initiatives for graduates of vocational training as examples. The State has increased internally

generated revenue (IGR) to 10 billion naira (USD 83 million) per month and instituted a 40 billion naira (USD 333 million) mortgage loan program for civil servants.

#### Titling is Key to the Poor's Economic Participation

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¶4. (U) Lagos State Government must put in place a property title system that goes beyond just proving ownership; it must also create access to credit, Hernando De Soto told attendees via video recording. There can be no credit, capital or rule of law without a good property titling system, he elaborated. The LSG must be willing to provide a framework that draws people out of the shadow economy to register their property and that provides the necessary incentives for more property owners to pay taxes. These incentives, De Soto contended, must include security and key infrastructure such as roads and drainage. In addition, the property titling system must allow landowners to use their land as collateral for loans.

¶5. (U) Vice President of the Institute of Liberty & Democracy (ILD) Manuel Mayorga drew out the practical elements of De Soto's theme in his remarks on "Legal Enterprises and Property Rights". He noted that people operate in the "extralegal economy" because the legal system is burdensome and not adapted to local norms and needs. The extralegal sector does not include the poorest of the poor; rather it creates jobs and wealth for a large informal economy in any developing country. He therefore urged the LSG to dispel the idea that people in this sector are unwilling to pay taxes and to make every effort to bring them into the mainstream. He also urged leveraging local knowledge, so that properly registered property can become a source of working capital.

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#### Link "Constellation Cities" by Transport

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¶6. (U) Liu Thai Ker, former CEO of Singapore Urban Redevelopment Authority, presented the "constellation cities" model, where settlements are divided into clusters of 2.5 to 3 million people, as an appropriate design for Lagos. Each "constellation" city is developed based on its special characteristics and then linked to other cities by a modern inter-modal transport system.

¶7. (U) Noting that the Lagos Mega City includes four local government areas (LGAs) in neighboring Ogun State, Lagos State Commissioner for Urban Development Bolaji Abosede said the state is already sectioned into constellation cities. Starting with the constellation city made up of Victoria and Ikoyi Islands, the LSG plans to rehabilitate roads in and between at least seven constellation cities including the Lekki-Epe, Ikeja and Yaba areas of the state. Each constellation city has a central business district (CBD) to minimize the need for people to leave their locality to have access to basic social and economic services. At the same time, he said, developing new towns can help to decongest the city center. Efforts are being made to convince owners of old buildings within development areas to allow construction of modern multi-story buildings on their sites in exchange for partial ownership upon completion. While this approach has been partially successful, many property owners remain suspicious. The government is also facilitating mortgage loans for shop owners in several markets currently under redesign, Abosede said.

#### Promote Green Spaces for the Poor

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¶8. (U) Enrique Penalosa, former Mayor of Bogota, touted changes to the Bogota urban environment that brought green spaces to the poor. In a rapid fire presentation, he showed slides of bike paths paralleling major streets, housing developments bordering parks, streets closed to vehicular traffic to allow recreational activities, and other innovative approaches to making the urban environment habitable for the poor. The audience gave him a standing ovation, with one participant remarking "that man could be elected mayor of Lagos".

#### Internally Generated Revenue Grows by 300 percent

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¶9. (U) Lagos State's internally generated revenue (IGR) reached 31.48 billion naira in first quarter 2008. Executive Chairman of Lagos State Internal Revenue Service Tunde Fowler said the IGR grew

from 34.53 billion naira in 2004, to 94.85 billion naira in 2007, growth of 300 percent over the period. As the economic capital of the country, the State has the potential to generate even more revenue, he said.

#### Improve Tax Collection to Close Budget Gap

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¶10. (U) Taxation remains the main source of funding for the Lagos State Government. The more government relies on private funding, the costlier the projects become, said Ade Ipaye, Special Adviser to Lagos State Governor on Taxation. The LSG requires 16.2 billion naira (USD 135 million) monthly to fund its budget and it is estimated that 50 percent will be funded by the State's IGR, which is currently only 10 billion naira (USD 83 million) monthly. To bridge the gap, the LSG plans to increase tax revenue by plugging loopholes in its tax system, improving the collection process, and simplifying tax procedures. Ipaye warned that in the future taxpayers will have to show tax payment documentation in order to obtain contracts and licenses as well as conduct land transactions and other business with the state government.

¶11. (U) Comment: De Soto and Penalosa sent a resounding message to the LSG: focus on practical means to make the city sustainable and livable for Nigeria's poor. The administrations of Action Congress Governors Tinubu and Fashola appear to have responded with reforms to Lagos' property registration systems, improved public transportation, and increased green space and parks. Nevertheless they face an uphill battle to transform Lagos into a model mega city. End Comment.

¶12. (U) This cable was cleared with Embassy Abuja.

Blair